Agenda Item 7b

GOVERNMENT RELATIONS INC.
1050 17th STREET
SUITE 510
WASHINGTON, DC 20036
(202) 775-0079

May 2009 Monthly Report for MTC

To: Steve Heminger, Executive Director
MTC

From: Tom Bulger, President
Jason Pavluchuk, Associate
GRI

Re: Monthly Report for May 2009

Date: June 2nd, 2009

1. **DOT Announces TIGER Grant Competition**
2. **House Climate Change Legislative Action**
3. **DOT/HUD Sustainable Communities Taskforce**
4. **New FTA Administrator is Sworn-In**
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1. DOT Announces TIGER Grant Competition

Secretary of Transportation Ray LaHood recently made available $1.5 billion in Transportation Investment Generating Economic Recovery (TIGER) discretionary grants for capital investment in surface transportation projects. Grants will be awarded on a competitive basis to projects that have a significant impact on the nation, a region or metropolitan area, and can create jobs and benefit economically distressed areas. The grants can range from $20 million to $300 million to support high impact transportation projects. Secretary LaHood can waive the minimum grant requirement for beneficial projects in smaller cities, regions or states.

The solicitation published in the Federal Register provides clear criteria for the department to make merit-based decisions on the new discretionary program. Primary selection criteria include:

- Contributing to the medium- to long-term economic competitiveness of the nation;
- Improving the condition of existing transportation facilities and systems;
- Improving the quality of living and working environments through livable communities;
- Improving energy efficiency and reducing greenhouse gas emissions; and
- Improving the safety of U.S. transportation facilities.

The Department will also give priority to projects that are expected to quickly create and preserve jobs and stimulate rapid increases in economic activity, especially projects that will benefit economically distressed areas.

Applications for TIGER discretionary grants must be submitted by September 15, 2009, from state and local governments, including U.S. territories, tribal governments, transit agencies, port authorities and others.

2. House Climate Change Legislative Action

The House Energy & Commerce Committee reported out of the full committee HR 2454, legislation that would establish a national ‘cap & trade’ program for carbon. The legislation, as reported back in March and April, established a 17 percent emissions reduction target by 2020, down from the 20 percent originally intended. Instead of all the credits being sold to the highest bidder, 85 percent are given away.

There is very little in the bill related to the transportation sector. The provisions that are included do not contain dedicated funding and are troublesome. Specifically, Section 222 would require state and metropolitan governments to reduce carbon emissions from the transportation sector. While this is not troublesome in itself, what is problematic is the fact that the provision is included as an amendment to the Clean Air Act rather than an amendment to transportation planning law. The problems associated with this language include:

- A requirement that the Environmental Protection Agency (EPA) approve Transportation Improvement Programs (TIPs) and transportation plans;
- An inconsistent timing of requirements; and
- It allows for additional frivolous citizen lawsuits to hold up transportation plans and TIPs

We have been working with MTC staff and House leadership to address these, and other issues. The legislation has been referred to nine House committees, each committee must now defer to act on the legislation or report its version over the next few weeks before floor action can occur.

3. DOT/HUD Sustainable Communities Taskforce

The U.S. Department of Transportation (DOT) and the Department of Housing & Urban Development (HUD) have announced a partnership to advance sustainable communities. In late April, MTC sent a letter to DOT Secretary LaHood and HUD Secretary Donovan commending the partnership and discussing the Bay Area's FOCUS program. On May 26th 2009, I met with DOT's Deputy Secretary for Policy, Beth Osbourn who is handling this initiative.

Currently, the effort is in the early development stages. We provided additional material associated with the Bay Area's transit oriented development policy, the Transportation for Livable Communities program, and the Station Area Planning Grants program. Ms. Osbourn has requested additional information about these programs, which we have forwarded to the appropriate MTC staff member.

4. New Federal Transit Administration (FTA) Administrator Sworn-In

In May, Peter Rogoff was sworn in as the new federal transit administrator. At his confirmation hearing, Mr. Rogoff stated that the President believes in public transportation. In addition, he noted that ridership is increasing even in a recession and there are great opportunities to increase ridership in the next transportation bill. Mr. Rogoff also outlined a number of challenges he plans to work on as administrator, including:

- Financing public transit
- Sustainability
- Removing modal stove pipes
- Streamlining of the New Starts program
- Establishing livable communities

5. President Obama Releases 2010 Budget

After months of suspense, President Obama released his budget plans for FY 2010, totaling $3.6 trillion. The following information is drawn from over 1,374 pages of his formal budget; however, an additional budget release is expected next week that will detail revenues, taxes and the deficit. The Administration's budget also cuts or eliminates over 120 programs totaling $17 billion: $11.5 billion would come from discretionary spending controlled by the Appropriations panels, and $3.6 billion would come from President Obama's plan to curtail the role of private lenders in the federal student aid program. About half of the discretionary cuts would come from the Pentagon budget, as previously announced by Defense Secretary Robert Gates. Overall, President Obama wants to boost federal spending substantially. His proposed savings would be used to increase funding for his top priorities.

Department of Transportation
The Obama Administration proposes $73.3 billion for DOT, $1.8 billion or two percent more than FY 2009. Included is $41.8 billion for the Federal Highway Administration (FHWA), $1.04 billion for the Federal Aviation Administration, $10.3 billion for the FTA and $1.5 billion for Amtrak, all with approximately 1 percent increases from FY09. High speed rail is slated to receive $1 billion in funding for 2010. President Obama is advocating for the elimination of the Corridor H of the Appalachian Development Highway, the Denali Access, Rail Line Relocation Grants and Surface Transportation Priorities. The Administration would like to eliminate the Rail Line Relocation Grants because an alternative program achieves the same goal based on a formula allocation.

Environmental Protection Agency
The EPA would receive $10.5 billion, $2.9 billion or 28 percent more than the FY 2009 budget. Funding for water infrastructure received a huge boost with $2.4 billion for clean water infrastructure and $1.5 billion for a drinking water fund. There is also $475 million for a new program to restore the Great Lakes and $35.1 million to clean up the Chesapeake Bay. Lastly, $19 million would be provided to focus on greenhouse gas emissions. Programs which were cut in the 2010 budget include: the California Diesel Emissions Reduction Grants, Local Government Climate Change Grants, and $145 million in Water Infrastructure Earmarks. The Administration would like to eliminate the California Diesel Emissions Reduction Grants program because it focuses solely on California. The budget will, however, continue to provide funding for a nationwide clean diesel fuel program. The Local Government Climate Change Grants program is slated to be cut because it duplicates more substantial greenhouse gas emission reduction programs.

Department of Homeland Security
The budget proposal calls for $42.7 billion in FY10 to the DHS, with a focus on four main priorities: $401 million would enhance cyber-security and technology research and development, $260 million for the Homeland Security Grant program, which will provide funding to improve the coordination between all levels of government, $157 for border security and immigration enforcement, and $124 million for safeguarding the national transportation systems. The Administration is recommending the termination of the Emergency Operations Center Grant program, the Inter-City Bus Security Grant program and the Trucking Security program because none of the programs have award allocations based on risk assessment.

6. **Transportation Authorization Update**

The deadline for members to submit earmark project requests to be included in the surface transportation authorization bill (successor to SAFETEA-LU) to the House Transportation & Infrastructure (T&I) Committee was May 14.

The House T&I Committee markup of the surface transportation authorization, which was rumored to take place in May, was postponed until after the Memorial Day recess. The committee now aims for subcommittee markup of the bill by the end of June with full committee and House consideration to take place once the House Ways & Means Committee identifies appropriate revenue raisers.

Both Committee Chairman James Oberstar (D-MN) and Ranking Member John Mica (R-FL) are pushing for an overhaul close to the $450-$500 billion range. The financing plan to fund a bill that large is a major problem given the current problems with the Highway Trust Fund and the Obama Administration's opposition to increasing the gas tax or implementing a vehicle-miles traveled (VMT) tax. The National Surface Transportation Infrastructure Financing Commission and many other organizations support a VMT tax — though most see it as a future goal, not something within the implementation confines of the next authorization period.

According to a two page 'manifesto' we reported about in our April report, an agreement has been reached to reduce the number of federal transportation programs from 108 to four, along the lines of major recommendations from the National Surface Transportation Policy and Revenue Study Commission, which suggested reducing the number of programs to ten.

The bill will also place renewed emphasis on intermodal connectivity and traveling options with a provision that will establish an Undersecretary of Transportation position focusing on intermodal transportation.

On May 16th, Senate Environment & Public Works committee staff requested a conference call with Steve Heminger about moving forward on the next surface transportation bill. In the conference call we discussed a number of ways that the committee could move a surface transportation bill prior to the expiration of SAFETEA-LU on September 30th, 2009.

7. <u>Highway Fairness and Reform Act of 2009</u>

Senator Kay Bailey Hutchison (R-TX) and Congressman Jeff Flake (R-AZ) are sponsoring legislation that would allow states to keep money collected from the gas tax instead of giving it to the Federal Highway Trust Fund. Some states want to opt-out of giving the money to the Highway Trust Fund because they argue they receive far less money back in federal transportation money than they pay in taxes, while other states, like Alaska, receive much more.

Senator Hutchison supported her argument by saying, "The entire funding formula is long obsolete. The existing funding formula is no longer serving the best interests of each state or American motorists. With the Interstate Highway System long complete, our transportation mission should evolve to maintaining and improving this valuable infrastructure."

T&I Committee Chairman Oberstar (D-MN) has said he would like to find a more unified system for the federal transportation money and allowing states to opt-out would be counterproductive to a new system.

8. <u>Transportation Secretary Ray LaHood Announces $742.5 Million in Federal Recovery Act Funds to Pay for New Start Projects</u>

Transportation Secretary LaHood announced that transit projects around the country will receive $742.5 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds. The grants will go to projects for which the FTA has already entered into multi-year federal commitments known as “full funding grant agreements,” these include Arizona, California, Colorado, New York, Oregon, Texas, Utah, Virginia and Washington State.

The ARRA grants announced do not increase the federal commitment to the projects, but expedite funds committed under the agreement between the federal government and the transit agencies. The arrival of federal funds will allow the transit agencies to save on financing costs while putting additional dollars into the local economy; they will supplement local resources, which have declined during the economic downturn; and they allow for a quicker investment in the project.

Projects receiving funding are listed below:

ARRA Capital Investment Program Allocations – New Starts		
State	**Project Location and Description**	**Allocation**
AZ	Phoenix-Central Phoenix/East Valley Light Rail	$36,000,000
CA	Los Angeles – Metro Gold Line Eastside Extension	66,740,000
CO	Denver-West Corridor Light Rail Transit	40,000,000
NY	New York-Long Island Rail Road East Side Access	195,410,000
NY	New York – Second Avenue Subway Phase I	78,870,000
OR	Portland-South Corridor I-205/Portland Mall LRT	32,000,000
OR	Springfield-Pioneer Parkway EmX BRT	2,940,000
TX	Dallas-Northwest/Southwest Light Rail Transit Minimum Operable Segment	78,390,000
UT	Salt Lake City-Mid Jordan Light Rail Transit	90,890,000
VA	Northern Virginia-Dulles Corridor Metrorail – Extension to Wiehle Ave.	77,260,000
WA	Seattle-University Link Light Rail Transit Extension	44,000,000
	TOTAL ALLOCATION:	$742,500,000